ACCOUNTANCY

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PROFESSIONAL NOTES

London Warships Week

A Warships Week for the City and County of London will be held during the week March 21 to 28, 1942. This will conclude the special campaign to raise the level of national savings throughout the country, and it is hoped that London will raise at least £125,000,000 to provide a fitting climax to the national effort in the present hour of need. We commend to all our readers the appeal which is being made by the Lord Mayor of London, with the support of the Lord Lieutenant of the County of London and of the Chairman of the London County Council. An Accountancy Committee has been formed consisting of Mr. C. J. G. Palmour, chairman, and the Lord Plender, G.B.E., representing the Institute of Chartered Accountants, Mr. Richard A. Witty and Mr. Henry Morgan representing the Society of Incorporated Accountants, Sir William McLintock, Bart., G.B.E., and Mr. John Adamson representing the Association of Scottish Chartered Accountants in London, and Mr. Alexander Parkes and Mr. H. E. West representing the Association of Certified and Corporate Accountants. This committee will shortly issue an appeal to all practising accountants in London. Subscriptions for London Warships Week should be designated for credit to the local effort of the City of London, the City of Westminster, or the appropriate Metropolitan borough. Each of these authorities has its own target figure for Warships Week. Practising members are also asked to draw the attention of their staffs to this special appeal, and in particular to encourage continuity of savings by the stimulation of office Savings Groups.

Tax Reserve Certificates

The President of the Society has been asked to bring to the attention of Incorporated Accountants an important statement made in the House of Commons by the Chancellor of the Exchequer on the undesirability of financing subscriptions to tax reserve certificates by means of borrowed money. Mr. Graham White pointed out that many businesses were seeking, often upon advice, to borrow from their banks for the purpose of taking up tax reserve certificates, and asked whether this course had the approval of the Government. In reply the Chancellor stated: "It is entirely contrary to the wishes of the Government that subscriptions to tax reserve certificates should be financed by borrowed money. I have already announced that the main purpose of the certificates is to help taxpayers who have material sums to meet by direct payment to set aside those sums as their

profits or incomes accrue." It is hoped that the wishes of the Chancellor of the Exchequer may be strictly observed.

The Late Sir Edmund Cook

Members of the accountancy profession, as well as solicitors, have received with regret the news of the death on February 13 of Sir Edmund Ralph Cook, C.B.E., LL.D., Secretary of the Law Society from 1914 till his retirement in 1939. Sir Edmund was in his seventy-first year. He was admitted as a solicitor in 1894 and joined the staff of the Law Society in 1907. His twenty-five years' secretaryship was a period of rapid progress in the history of the Law Society, to which Sir Edmund's energy and tact contributed greatly. His services in connection with the establishment of the Poor Persons Procedure in the High Court were recognised by the award of the honour of C.B.E. in 1930, and he was knighted in 1934. After his retirement he remained a Director of the Solicitors' Benevolent Association, of which he was Chairman in 1932. A memorial service was held at St. Dunstan-in-the-West, Fleet Street, on February 18.

Income Tax Quiz

If I put down on the form all the things I have to pay (rent, food, fares, etc.), will the Government understand that I cannot afford to pay the tax?

Unfortunately the Government is not quite so understanding as that. But the weekly wage-earner can now obtain for 2d. a pamphlet entitled "Income Tax Quiz for Wage-Earners," published by the Ministry of Information for the Board of Inland Revenue, which answers his questions about income tax in simple language. The pamphlet is addressed to manual workers assessed half-yearly and explains the exemption limits and allowances and how the tax is deducted. Three examples are fully worked out, and there are notes on the tax on other kinds of income, a table of "how much you earn before you are taxed at all" and an explanation of post-war credits. The "quiz" itself consists of thirty-two questions and answers dealing with such questions as why the return form is so complicated, what to do if the figure of wages in the assessment seems to be wrong, and how wartime profits are taxed. A foreword by the Chancellor of the Exchequer urges the reader not to hesitate to call at, or to write to, the office of the Inspector of Taxes to obtain further assistance. An attractive appearance should help to obtain for this pamphlet the popularity it deserves, and it should effectively remove the misunderstanding and lack of knowledge which undoubtedly are responsible for some of the resentment against income tax in the minds of manual workers. It is obtainable from H.M. Stationery Office or through booksellers at the price of 2d., or 25 copies for 2s. 6d.

Taxation and the Farmer

This month's taxation article on page 99 discusses the problems arising in the assessment of farmers for income tax. Interest in the subject has been stimulated by the provision in last year's Finance Act that farmers whose land has an annual value of over £300 must in future be assessed under Schedule D. A meeting of the Farmers' Club, held in London on February 9, was addressed by Mr. Reginald Davey, F.S.I., on "Taxation and the Farmer." Mr. Davey pointed out that the popularity of land as an investment had been increased by the favourable treatment it had received in the past from the point of view of taxation. Investors had been prepared to buy land and to receive a return of only 2 per cent. to 2½ per cent. The farmer thus received very favourable terms; and in bad times landlords found that the rent must be adjusted to meet the situation. Death duties were a heavy charge on capital, though agricultural land was assessed on a lower scale than other land. The holder of stocks and shares could sell a portion of his holding to pay the duty, but a farm was an economic unit, and one portion could not be sold without impairing the value of the remainder. Farmers must now meet a considerable increase in the burden of income tax, and in addition they were liable to excess profits tax or national defence contribution. The Inland Revenue ought to adopt a proper accounting method of dealing with dairy cows and working horses as instruments of production, spreading the cost over their period of useful life, but they always insisted on market value.

Utility Clothing Profit Margins

The Utility Apparel (Maximum Prices and Charges) Order, which came into force at the beginning of February, brings together the provisions about maximum prices for utility clothing and also lays down the basis for the prices to be charged by composite businesses which it has been found difficult to fit into the framework of previous Orders. The outstanding feature of the utility clothing scheme is of course, the control of profit margins at each stage. For manufacturers the prescribed margin varies from 4 to 7½ per cent., according to the type of garment, of the cost of production and sale. Providing they maintain a regular selling organisation and carry substantial warehouse stocks, wholesalers may add 20 per cent. to the manufacturer's price. For all other wholesalers, the gross margin is 5 per cent. Retailers' maximum prices are computed as hitherto by adding 33⅓ per cent. to the price paid (including purchase tax). In each instance the price is also subject to a specified over-riding maximum, which in the case of manufacturers is higher in sales to a retailer or direct to the public than in sales to a wholesaler. In future, the price to which the wholesaler and retailer add their percentage margins will be the price before deducting cash or settlement discounts, provided the latter do not exceed 5 per cent.

Companies' Records

Reference has been made in our December and January issues to the part which may be taken by companies in the disposal of out-of-date records for salvage. In addition to transfer deeds and dividend

warrants, it has been suggested that bearer scrip surrendered for registration and dividend sheets or books should be disposed of after twelve years, paid dividend warrants after six years, and notices of change of address after the next dividend or interest payment or after two years. It may be reasonable to dispose of dividend sheets or books after two dividend or interest payments, and paid dividend warrants on completion of the audit of the accounts for the period in which the dividend was paid.

Economy in the use of paper is no less important than paper salvage. The Defence (Companies) Regulations have already removed the obligation to keep a copy of the filed annual return in the register of members. The consumption of paper in documents circulated to members should be reduced to the minimum. The circulation of the annual report and accounts is required by the Companies Act as an essential safeguard of shareholders' interests, but rigid economy of paper should be exercised in the compilation of the report and in lay-out. The practice of issuing an advance copy of the chairman's speech is appreciated by shareholders, and assists the Government's policy of discouraging civilian travel; but a summarised statement would usually answer the purpose, and even this is probably unnecessary if the speech or a summary is to be published in the Press.

Incidence of War Damage Liability

Where merchandise damaged by enemy action is subject to more than one interest—and this is probably the rule rather than the exception—it is important to be able to fix the precise responsibility at law of the various parties concerned, such as buyer and seller, owner and bailee. This is laid down in the Liability for War Damage (Miscellaneous Provisions) Act, 1939. The general principle, though there are exceptions, is to place war damage outside the provisions relating to damage contained in ordinary commercial contracts. Thus, if goods are received "on approval," "sale or return," or similar terms, and the person on the buying side is required by the contract or the custom of the trade to make good loss or damage, the Act provides that this requirement shall not apply where enemy action is the cause. If, on the other hand, the contract expressly covers war damage the liability remains with the bailee where the price exceeds £25.

It is established law that a bailee (in the wide sense of a person who has in his possession the goods of another for any purpose whatever) is liable not only in all cases where there is negligence but also if the goods are held after the bailment has terminated or there is any departure from the terms of the contract. Loss by the King's enemies is included and, in general, the position is left unchanged under the Act. If the goods are damaged after or during removal to a place not provided for in the contract, however, the bailee would have a good defence if he can satisfy the Court that he had reasonable grounds for believing the safety of the goods would be better safeguarded by their removal than by keeping to the terms of the contract. In addition, the Act specifies various obligations often included in such contracts which shall not apply if loss or damage is caused by the war. These include obligation to insure against loss or damage; to make good loss or damage by payment of damages or compensation, or by replacing, restoring or delivering them up in good repair; to continue payment for the hire of goods notwithstanding loss or damage. Once again, however, any clause in the contract expressly providing for war action is valid, except in relation to agreements coming under the Hire Purchase Act, 1938 (for ordinary goods, transactions up to £100) or pure hiring agreements where the annual hire does not exceed £20.

Disclaimer after Requisitioning

A tenant of leasehold property which has been requisitioned under emergency powers is to have the right to disclaim his lease, if he or a member of his family was using the property as a residence or for business purposes. This is provided by the Landlord and Tenant (Requisitioned Land) Bill, in accordance with a recommendation contained in the report of Mr. John W. Morris, K.C., to which reference was made in our October issue. Notice of disclaimer must be given within three months from the date of the requisitioning, or, if requisitioning has already taken place, within three months of the date on which the Bill becomes law. A lease cannot be disclaimed unless it has at least five years to run, and unless its term is to expire at, or not later than twelve months after, the end of the war.

Professional Advisers and the Defence Regulations

Building operations of which the cost exceeds specified amounts may not be carried out without a licence. The revised form of Regulation 56A provides that where this rule is broken penalties are incurred, not only by the persons who order the work and those who execute it, but also by "any architect, engineer or other person employed in an advisory or supervisory capacity in connection with the execution of the operation or the carrying out of the work." This appears to place an unprecedented liability on a professional man who may merely have given advice on a technical problem submitted to him without considering the monetary aspect, and assumed that the obtaining of the necessary licence could safely be left to those primarily responsible. It would appear to be more than ever necessary for the members of all professions to be acquainted with any legal provisions bearing on their work and to bring them to the attention of clients who may be affected.

War Damage to Date

In our note on war damage in the February issue, the figure of £6,000 million represents the total estimated value of property in the country covered by Part I of the War Damage Act, 1941. This total is allocated in the amounts specified between the various types of local authority areas. The private estimate of £170 million war damage to property covered by Part I during the first risk period would indicate that less than 3 per cent. of the total value had been lost.

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URGENCY

Sir Stafford Cripps, on returning to this country from Russia, immediately commented on the general atmosphere ruling here, which in his view denoted "a lack of urgency." This complacency has since been shattered by a series of spectacular reverses, and already the new spirit of urgency has brought good results. But the Cabinet changes can be no more than a necessary preliminary to a more vigorous war effort in which every one of us must play his part. It is no use supposing that changes at the top can wipe out overnight the accumulated effect of past shortcomings and automatically repair our fortunes. What the new Government can do is to ensure that the renewed determination of the country is given full play and not impeded by a half-hearted and timid approach to war organisation.

On the economic side there is room for a complete overhaul of policies to ensure that we are making the best possible use of the two scarce factors, manpower and shipping. The value of the measures being taken to secure the best distribution of manpower between the armed forces and necessary civilian work is recognised by the nation. But their effect is to some extent offset by the great uncertainty created by the Schedule of Reserved Occupations, and its application to individual cases. Both employers and workers are left very much in the dark whether a particular person is likely to be withdrawn from his present employment, and if so when. In these conditions it is impossible to get the best results from labour pending its possible transfer. With better planning and attention to organisation, it should be possible to reduce this uncertainty very considerably.

It is even more vitally important that the resources transferred should be employed to best advantage. In the present emergency, as *The Times* observes, we can no longer afford to tolerate any legacy of the past which is incompatible with efficiency in modern war.

Even when manpower has been drawn into correct employment, however, it is still necessary to ensure that its products are not dissipated in inessential uses. Serious conflict between civilian demand and the war effort still exists in the use of transport and fuel, if nowhere else. For many months past shipping has been the ultimate bottleneck. Yet this country continues to enjoy a standard of nutrition and comfort far above the peacetime level in many European countries. At this stage it is the height of futility on the one hand to make available an excessive supply of consumption goods while, on the other hand, appealing for increased savings.

In various ways, too, purely financial considerations are still allowed to impede the mobilisation of real resources. Problems of compensation are a conspicuous example. The second report of the Retail Trade Committee, discussed in greater detail elsewhere, makes it abundantly clear, for example, that the release of personnel from the retail trades is held up because retail businesses are already too far impoverished to provide a compensation fund for "closed firms," while the Government cannot see its way to give assistance. If finance can help to release workers for more essential tasks, we merely assist the enemy by refusing to provide it. Yet our largest remaining reservoir of labour is left untapped for months on end in the dubious hope that agreement may eventually be secured on some form of self-financing voluntary scheme.

Not the least urgent need, indeed, is a new concept of the part of finance in war. Here the accountancy profession is directly concerned and can render useful service. The accountant knows something of the harm which has been done during these last two years by bad financial methods—by taxation which has impeded production, by costing methods which have encouraged inefficency and by the absence of a wages policy. It is not even yet understood that the test of financial policy in wartime is whether it assists the efficient use of manpower—all other considerations are relatively unimportant. To-day the purpose of taxation is not "to balance the Budget": it is to minimise the funds available for civilian spending, so that manpower may be released for more essential purposes. If a tax impedes the efficient use of manpower, it is wrong, however much it may bring into the Exchequer. On this test, an E.P.T. which dangerously reduces the funds available for war production, the joint assessment of married couples, and a tax-deduction technique which bears unfairly on individual workers are all equally unwise and should be revised. Every case where the efficient use of manpower is delayed for financial reasons should be considered in the same way.

Finally, there is need for new conceptions of costing and price-fixing which will encourage efficiency and aid maximum production. The accountancy profession might well give further thought to the problem of price-fixing in circumstances where the ordinary laws of supply and demand have ceased to operate, and where all capacity, efficient and inefficient, must be used to the greatest advantage in the war effort. If victory is not to be indefinitely postponed, there is no time to lose in bringing this about.

The Future of Retailing

[CONTRIBUTED]

In a recent editorial, we stressed the need for a planned concentration of retail trade as the only means of averting severe hardship and distress, among the small shopkeepers especially. The urgency of this problem is sharply emphasised by the survey of retail prospects contained in the second interim report of the Board of Trade Committee under the chairmanship of Mr. W. Craig Henderson, K.C., appointed in May last to examine the impact of the war on the retail trades in goods other than food.

After two years of war, the report points out, the retailer's business is made increasingly difficult and precarious by three types of control: limitation of supplies, regulation of standard qualities and price control. Thus in the clothing trades the rationing scheme limits turnover to about half the pre-war volume, and this may be further reduced. By the utility clothing scheme, a control of profit margins is imposed which may make total profits "dangerously low" for retailers serving the lower income groups, while those hitherto dealing in the more expensive goods may be faced with even greater problems. In other trades turnover is limited by raw material controls or manufacturing quotas. For a limited list of essentials, these may permit production up to 35 per cent. of pre-war volume, but more usually they do not exceed 20 to 25 per cent. of pre-war.

Hitherto, the position has been eased by reserves of stocks, but these are rapidly disappearing. Moreover, it may be increasingly difficult for manufacturers to fulfil their quotas, while control of quality (if not "standardisation in the crude sense") is likely to be extended as the supply position grows more strained, leading in turn to regulation of prices and profit margins. Finally, the retailer is peculiarly vulnerable to labour losses. About 63 per cent. of males and 37 per cent. of females—about 50 per cent. of the whole labour force—are affected by the general call-up measures, including the new National Service Act. In short, 1942 holds out for the retail trades a bleak prospect of painful adjustment to severely contracting trade.

This is, to be sure, no more than a detailed statement of the position whose existence led to the appointment of the Committee. But they clearly believe that the mere statement of the problem in realistic terms will assist in securing eventual acceptance of an orderly solution. Their belief that the gravity of the situation has been inadequately realised was, in fact, confirmed by the pronounced decline in chain-store shares following the publication of the report. If there had been an easy road to any regulated concentration of retailing, it is suggested, the Government might already have intervened to give active encouragement or even direction to some such scheme.

The smaller retailer, the Committee shows, has three alternatives: he can decide to "hang on no matter what happens"; he can try to arrange a "marriage" with one or more fellow-retailers; or close down either for the duration or permanently. If too many decide to "hang on," economic forces will clearly play havoc with the less fortunate. On the other hand, fusion is a thorny business. The fellow-retailer with whom a satisfactory linking-up could most easily be arranged would normally be a competitor for the same class of business—and the identity of the incoming business tends to be submerged. Moreover, the business that transfers may be saddled with liabilities for rent or rates, payments for equipment and War Damage Contributions, as well as personal liabilities for fire-watching.

At present, it is only to those already "in serious financial difficulties owing to war circumstances" that the Liabilities (War-time Adjustment) Act offers any assistance.

Individual retailers and their representative bodies, it is concluded, should give urgent consideration to the questions: (i) by what means the device of temporary "marriage" can be given encouragement? (ii) by what means temporary closing-down can be facilitated, so that this course might be followed before the stage of exhaustion is reached? On the first question the Committee points out significantly that under industrial concentration schemes the labour requirements of nucleus firms are "safeguarded." On the second point, it suggests that clues may be furnished by the general intention of the Liabilities (War-time Adjustment) Act, i.e., to enable a debtor who, on account of the war, could only discharge his obligations by a realisation of assets which would involve the sacrifice of his business or preclude him from restarting after the war, to get the position cleared up at once without incurring the stigma of bankruptcy.

One of the proposals that the Committee has in mind, it is obviously reasonable to infer, would be an adjustment making the machinery of this Act available to traders who are not yet in financial difficulties. For the rest, they are clearly hoping that the trade associations, on reconsidering the idea of a comprehensive scheme of mutual compensation, will find this more attractive than when it was first submitted to them in July last. The intervening deterioration in the trading outlook may well induce such a revision of attitude.

What is difficult to see is that any association could produce a solution for the crucial problem of the one-man shop. The analogy here is less with concentration of industry than with the case of professional men, such as doctors, who have found no satisfactory solution for very similar problems. The real trouble is that the whole problem is immensely complicated by the Government's refusal to consider compensation for war damage other than that caused directly by enemy bomb and shell. Admittedly, this might be "opening up a field to which there would be no bounds." But it would be difficult to justify a policy which results in bankrupting small shopkeepers as a substitute for a planned scheme of concentration. And can we afford to allow purely financial considerations, however reasonable in principle, to impede the mobilisation of our greatest remaining reservoir of manpower?

Prices of Goods

By ROLAND BURROWS, K.C.

When the war broke out, the danger was recognised that many commodities might be put out of the reach of many consumers by increases of prices due to the demand of persons who had more than average purchasing power. After the last war an attempt was made to tackle the evil of inflated prices by the Profiteering Act, 1919, which proved ill adapted for its purpose and was repealed in 1921.

Apart from the powers vested in various Ministers as to special classes of goods, the legislation intended to secure that prices shall not be raised so as to increase profits unduly is contained in two statutes: the Goods and Services (Price Control) Acts, 1939 and 1941. They do not operate of themselves but can be brought into force either generally or as to particular goods or services by orders made by the Board of Trade. In each area of the country there has been formed a local Price Regulation Committee on which consumers and dealers are represented. The duty of this Committee is to watch prices charged locally for all commodities, to investigate complaints and to make recommendations. There is also a Central Price Regulation Committee which advises the Board of Trade and co-ordinates the work of the local committees. The Board cannot act without consulting the Central Committee but is not bound to accept its advice. The Board cannot prosecute in any case unless the Central Committee has recommended prosecution, but in certain cases the Director of Public Prosecutions is empowered to prosecute offenders without any such recommendation.

Permitted Increases

The 1939 Act was limited to goods. It accepted the fact that prices varied between shops and that even branches of the same concern did not always charge the same prices. The test for charges was a calculation based on (*a*) the actual price charged on August 21, 1939; (*b*) a justifiable addition. Power is given to vary the date (by order), e.g. where there are "exceptional circumstances" or the lapse of time has caused difficulty. In the case of seasonal goods power is given to fix different basic prices at different seasons of the year. It will therefore be seen that the basic price is something to be ascertained as representing the price charged for that description of goods by the individual trader on August 21, 1939, or some other appropriate date fixed by the order.

The permitted increase is a figure that can be justified by reference to the factors set out in the First Schedule to the 1939 Act. The Board has power to alter this Schedule. The factors are: the cost of providing materials, raw or semi-manufactured, and stocks of goods requisite for the carrying on of the business; the expense of manufacturing and processing operations; the cost of premises and plant; the expense of maintaining the premises and plant, and the rent; insurance premiums; wages and salaries; administration and establishment expenses; pensions, benevolent and welfare schemes; Customs and Excise duties; rates and interest on money borrowed; transport charges; the cost of advertising, salesmen's commissions and other marketing operations; bad debts; and the total volume of the business over which the overhead expenses fall to be spread.

The permitted increase is defined as being an amount not being in excess of an increase on the basic price which is justified in view of the changes in the business in relation to these factors, some of which would probably tend to reduce and not increase the price in particular cases. It will be noticed that income tax, surtax and excess profits tax are not factors to be taken into consideration.

A tradesman therefore who charges more than he did on the statutory date for any goods of a kind comprised in an order would have to justify his prices. The decision whether he was in fact justified would in the last resort rest with the court before which he is prosecuted. The Act does not say what is the test of justification. Is it the same figure or percentage of net profit or of gross profit on the individual article or unit or on the total dealings in that description of goods or on the business as a whole, or some other standard? The task appears to call for the assistance of a skilled accountant.

Price-Fixing Orders

It was probably due to a realisation that the general provision might prove to be too burdensome that the 1939 Act made it possible for any body of persons representing traders in any class of goods, or for the Central Committee, to request the Board of Trade to make an order specifying either the basic price of any particular description of goods or a percentage to represent the permitted increase or a price to represent the permitted price. If such an order is made, objectors are given an opportunity of appeal. The Board have now also power to make orders fixing the basic prices of descriptions of goods which have come into the market for the first time since August 21, 1939. They may fix different standards for the same kind of goods to provide for the case where the same goods are sold in different kinds of businesses.

When a prosecution is instituted, the prosecution need only prove the transaction impugned (i.e., an actual sale or an agreement or offer for sale), the price actually charged, and the basic price or the price at which the same or similar goods were on offer in any business about the same time in similar circumstances. It is for the defendant to prove that the price charged did not exceed the permitted price.

The 1941 Act, besides amending the 1939 Act, has added further provisions. The Board now has power to fix a maximum price for any description of goods, and it is then an offence for any trader to sell or agree to sell or offer for sale any such goods at a price exceeding the maximum price. As this figure needs no computation, there is no difficulty in ascertaining it and it is not possible to justify any price which exceeds it. The Board may, however, instead of fixing the maximum price, prescribe a

method of computing that price. Orders made under the 1939 Act still continue in force.

The Board is empowered by the 1941 Act to fix maximum charges for services in relation to any class of goods, either by specifying fixed maximum charges or by prescribing a formula for calculating the amount. Where a trader sells or agrees to sell or offers for sale at a single inclusive price goods which are price-controlled and goods which are not, or goods and services at a single charge when any of the goods or services are price-controlled, then the seller must at the buyer's request apportion the consideration and show in writing the amount apportioned to each class of goods or services. If the buyer does not, then within 21 days of the sale, agreement, or offer, the Board or the Central Committee may require such apportionment.

The Board may also prohibit any person from dealing in secondhand goods of any prescribed description without being registered under regulations made by the Board.

Goods to be sold by auction or for export were exempt from the 1939 Act. Now goods to be sold by auction or at a price to be ascertained by auction are exempt unless an Order is made taking away the exemption. Goods sold for export are still exempt if actually exported, but the exemption does not now cover the packing material or containers.

Prevention of Evasion

No person whose normal business it is to sell price-controlled goods and who has a stock of such goods may refuse to sell such goods to an intending customer, nor may he deny that he has such goods or use language calculated to induce the intending customer to suppose that he has no such goods. No condition may be imposed by him on a sale except that payment may be required to be made forthwith and the buyer may be required to take delivery within a reasonable time. It may be a little difficult to fit this provision to large wholesale contracts for forward delivery. One may deduce that terms for credit may be agreed. The buyer is still free to stipulate for such conditions and warranties as the seller may be willing to give.

The 1941 Act contains further provisions intended to stop evasion by means of barter, mortgage or pledge. In order to facilitate observance of these statutes the Board may by order direct that in cases where price-controlled goods are bought in the course of another business—that is, where the buyer is not the ultimate consumer but is buying for resale or acquiring materials for his business—the seller shall give to the buyer an invoice setting out the particulars prescribed by the order. Such an order may be general to all price-controlled goods or limited to certain descriptions of such goods, and may apply to all businesses or be limited to certain classes of businesses. The Board may impose on the buyer the duty of seeing that the invoice is duly given.

Of special importance to accountants are the provisions of Section 14 of the 1941 Act. The Board may by written notice to a person carrying on a business which includes the selling of price-controlled goods or of secondhand goods or the performance of price-controlled services require him to keep books, accounts and other records in relation to the business in such a form and giving such particulars as may be specified in the notice. This obligation may by order be made generally applicable to all such traders. The Board may by notice to any such trader require him to produce his books, accounts and other documents to any person named in the notice.

Rights of the Buyer

When a seller has been convicted the buyer thereby obtains certain rights affecting his contract. In order that he may be so entitled he must not himself be liable to punishment for having aided, abetted, counselled or procured the contravention in question, a qualification which may materially affect the probability of a buyer giving information. Where a seller has been convicted of charging for goods or services at a figure in excess of the permitted amount, then not only the buyer of the goods or services in question but also any previous buyer to whom the same or a higher price has been charged has the option either (*a*) to avoid the sale or agreement and to recover any money paid—but this right cannot be exercised if third parties have acquired rights or he seeks to avoid it after an unreasonable lapse of time, and when the goods in question have been delivered to him the buyer who exercises this right must tender them back to the seller in substantially the same condition as when they were sold to him; or (*b*) to affirm the sale or agreement and recover any loss sustained by him by reason of the contravention, regard being had to any amount received or to be received by him on a resale or agreement to resell. In either case any sum payable by the seller bears interest at 5 per cent. per annum. The word "loss" under head (*b*) is not a happy one. A man who does not resell incurs no loss: a man who does resell is not at present likely to make a loss but merely a less profit than he would have done. The interpretation of this word may bring much profit to the lawyers.

The 1941 Act also contains a section intended to secure that only one wholesale profit and only one retail profit shall be made in respect of the same goods. The section enables the Board to make an order prohibiting any second or further sales at a profit, and such an order may prohibit the giving or taking of any remuneration or reward for procuring the sale of "quota goods" by a person registered under any Limitation of Supplies Order.

The Acts in their present form seem to secure that the profit realised on sales of price-controlled goods or price-controlled services shall not exceed the prescribed limits, with the exception that they do not appear to touch the case where a composite contract is made and the goods or services which are not price-controlled are designedly charged at exorbitant rates, or where a present is made of the price-controlled goods or services. The point is not covered by the provision against imposing conditions, as composite contracts are expressly dealt with and are therefore lawful. Composite agreements might usefully have been restricted to goods and services which are all price-controlled.

E.P.T.—Chambers of Commerce Proposals

Certain modifications in the excess profits tax are recommended in a letter which has been sent to the Chancellor of the Exchequer on behalf of the Association of British Chambers of Commerce by Mr. Henry Morgan, F.S.A.A., chairman of the Joint Committee on E.P.T. On the principle that taxation is not an end in itself but a means of promoting a maximum war effort, the letter points to the need for correcting any tendency for taxation to dull incentive or promote waste. It is suggested that increases in taxation imposed in the last budget may have induced an increase in national expenditure and hence have failed to narrow the inflationary gap.

The machinery for keeping down expenditure by control of contracts and the taxation of any additional profits, it is suggested, is open to criticism in two main respects. First, it is directed primarily at reducing the reward of the producer, which is a very small part of the cost, and has signally failed in reducing the working expenses, which is what chiefly matters. Second, and more important, it endeavours to apply an external control instead of using the ability of business to reduce costs. It is one of the main functions of business management to seek out and eradicate waste and extravagance. The surest way of securing this service is to admit the incentive of reward which recognises efficiency and penalises inefficiency. A remission of taxation which would achieve this object would operate materially to close the inflationary gap.

The second evil of the excess profits tax, the letter continues, is the fact that it perpetuates inequalities between businesses. A business which happens to be unfairly treated by the Acts or their application is doomed to decline whatever its efforts. This is a real defect in the fiscal machine, since the existence of businesses with no hope for the future, and therefore no responsibility, is a menace to fellow-traders in competing for labour and supplies.

A further injurious aspect of the excess profits tax is the degree to which businesses engaged on war work are being driven to rely on outside finance because their own resources are depleted or exhausted. They are not only compelled to return to the Exchequer the increase in their profits but are also left with an ominous foreboding of what may happen to them after the war, with large commitments against assets of doubtful usefulness and even more doubtful value. It is urgently necessary that these businesses—and indeed all businesses which are bearing the burden of the excess profits tax—should receive concrete assurances that the Exchequer will not be indifferent to their difficulties in the transition from wartime to peacetime production.

The Association's Proposals

The Committee, therefore, submits the following suggestions :—

The first essential is that direct encouragement should be given to reduce costs. The present vague and contingent promise of a post-war repayment of 20 per cent. excess profits tax has failed to achieve this object. The repayment should be made a definite obligation either by defining the conditions now, or preferably by the issue of a special type of security.

It has become apparent that the maximum substituted standard of profits of a small percentage on capital as calculated for excess profits tax purposes is oppressive when combined with a rate of duty of 100 per cent., and the common necessity of providing war damage contributions out of the standard profits. The ceiling should be raised by increasing the percentage and by granting relief for specific causes, including prolonged depression in certain essential industries.

Borrowed Moneys as Capital

The provisions included in the last Finance Act to treat borrowed moneys as capital were primarily intended to assist and encourage expansion of business for war purposes. Evidence has now accumulated which bears out the opinion then formed that these provisions are onerous on concerns which have repaid borrowings as a result of thrifty management, and on those which in present circumstances have been unable to continue their customary business of financing seasonal stocks by means of credits. What was introduced as a relieving section has imposed a new and unexpected burden in many cases. It is suggested that the provision should be either made optional or confined to additional borrowings. It is urged that the inclusion of borrowed money in statutory capital does not, in fact, provide any real incentive to expansion of production.

Wasting Assets

It is now clear to concerns operating wasting assets, such as mines, quarries and oil wells, that an increase in output involves, literally, a *pro tanto* gift of their property to the State. The elaborate provisions in the last Finance Act require material amendment.

Similarly, the restriction of repairs to buildings and plant, and the difficulty of replacing worn-out equipment, result in a temporary and artificial increase of taxable profits, but leave serious arrears of maintenance and renewals to be made good after the war. The writing off of plant to residual value should be an allowable deduction in the year in which the plant is scrapped, the existing condition of replacement being abrogated.

There is considerable dissatisfaction with the seemingly capricious application of the provisions relating to directors' remuneration in companies controlled by the board compared with businesses not so controlled. The deterrent effect on effort is serious compared with the amount of revenue involved. It is felt that some relaxation to bring such concerns more into line with ordinary companies would be wise.

Traders who suffer destruction of assets from enemy action should not have their misfortune aggravated by consequential additional taxation. Nevertheless, this is the effect of the Revenue insistence upon excluding from capital for E.P.T. purposes not only the destroyed assets, but also the amount of compensation under the War Damage Act. There is considerable indignation in those areas which have suffered heavily in this respect.

Terminal Losses

The problems of relief for terminal losses in respect of such matters as inflated stock values, forward commitments, reorganisation of equipment and staff for peacetime production, and arrears of repairs and renewals, were postponed last year until the position should become clearer. These form a vital aspect of post-war reconstruction, which should be studied now in their relation to the general problem.

Finally, the Committee feels constrained to suggest that it would be in the best interest of all concerned to consolidate the law relating to excess profits tax into one Act. It is appreciated that the task of the draftsmen would not be easy, but the labours of the few would mean an enormous saving of time and effort to the many.

TAXATION

Farmers

Privileged Position

For the past hundred years, farmers have had a privileged status in the scheme of income tax. When the proposal was made in 1842 to impose an income tax it was apparently thought that to regard occupiers of land as on the same plane as traders would not do. It may be that the draughtsmen did not think that Parliament would stand for a proposal to make farmers keep accounts like common tradesmen, as trade had not yet attained the status of being quite a "gentleman's" occupation. Moreover, with the tax at negligible rates, it no doubt did not seem worth while to face the problems of exhaustion of the ground, manurial values, and so on.

This is all conjecture; what is a fact is that the assessment of farmers was based on an economic principle, the theory of marginal returns. The farmer was regarded as able to make enough to pay his rent and a fraction (then one-third) based on the rent for himself. The fraction has varied from time to time—shortly after the last war it went up to twice the gross annual value—and to-day it is the gross annual value.

With the almost constant rise in the rate of tax, and improved education and facilities for keeping accounts, it has long been considered that the anachronism should be abolished and farmers be placed on the same footing as other business men. This has now been partially done, but only in the case of the bigger farms. No doubt the remainder will follow in good time, though there is probably a reluctance to complicate the income-tax machinery in order to rope in the few by tackling the many.

Partial Removal of Privileges

To-day, therefore, farmers fall for taxation into two categories:—

(1) Those assessed under Schedule D. The assessment is under this Schedule in the following cases:—

(a) Any lands farmed by a corporation or by a partnership of which a corporation is a partner;

(b) Lands farmed by a partnership of individuals where either

(i) The partnership lands have a gross annual value of over £300; or

(ii) One or more of the partners is assessable in respect of farming under Schedule D, no matter what the gross annual value of the partnership lands.

(c) Lands farmed by an individual where the gross annual value of all lands farmed by him (including his share of the gross annual value of any partnership in which he is a partner) exceeds £300.

(2) Those assessed under Schedule B. This applies to all cases (a) where an individual's farming does not extend beyond a gross annual value of £300 (including any share in a farm partnership); and (b) where the lands of a partnership of individuals have not a gross annual value exceeding £300 (provided none of the partners attracts Schedule D in his own right).

Market Gardens

Market gardens, formerly assessable under Schedule B, though according to the rules of Schedule D, are now always assessable under Schedule D. The value of market gardens is taken into account with any other lands in deciding whether the total amount exceeds £300 or not for the purpose of ascertaining whether Schedule B or Schedule D applies to other lands.

Transitional Relief

Little more need be said about Schedule D. Assessments follow the usual principles. The transitional relief, however, is important. The transition under (1) above from Schedule B to Schedule D occurs in 1941-42, and it is provided that, by claiming not later than April 5, 1943, an individual or partnership of individuals, on showing that the profits for 1941-42 are less than the assessment, may have the assessment reduced to the actual profits. The relief is not available under 1 (a) above. It is also important to note that relief is given for losses as if the assessment had always been under Schedule D; this will mean agreeing profits and losses for up to five years past where this has not already been done.

Relief Under Schedule B

Farmers still assessed under Schedule B retain their rights under Rules 5 and 6, i.e., under Rule 5 to claim within two months after the beginning of the year of assessment to be assessed under Schedule D, or, if that claim has not been made, to claim within one year after the end of the year of assessment to be assessed (still under Schedule B) on the actual profits of the year of assessment.

Rule 6 is peculiarly valuable when a loss is incurred, inasmuch as the assessment can be reduced to nil, leaving the whole loss available for a Section 34 claim, whereas, had the assessment been under Schedule D, part or all of the loss would be needed to offset the assessment. If better results are expected in the following year, Rule 5 can be invoked to obtain a nil assessment again.

It must be borne in mind that where Rule 5 is invoked, it operates only for one year. The claim must be made each year if it is desired to continue under Schedule D.

Cattle Dealers and Milk Sellers

In the case of cattle dealers or milk sellers still assessable under Schedule B, the old rule still applies that, if the Commissioners decide that the lands are insufficient for the keep of the cattle brought on to them so that the assessable value affords no just estimate of the profits, the balance of profits can be charged under Case III, Rule 4. In that case the Schedule B assessment is either discharged or deducted in the Case III assessment.

N.D.C. and E.P.T.

Farming is a trade chargeable with N.D.C. or E.P.T. where appropriate. In this connection it is important to note that the Revenue agree that unrealised wartime appreciation of the market value of stock not intended for resale should not be taken into account in computing profits for E.P.T. purposes. Working horses, milking cows, flock ewes and the herding stock should be valued at the lower of cost or market value.

The concession whereby E.P.T. on a proper reserve for normal repairs, which cannot be done in war conditions, may be held over, to be discharged when the repairs are actually done, is important.

Taxation Notes

E.P.T. Substituted Standard—Important Time Limit

Readers should note carefully the time limit for applications for a substituted standard under Section 27, Finance Act, 1940. By sub-section (7) as amended by Section 32 (2), Finance Act, 1941, an application under the section must be made by March 31, 1942, unless the Commissioners allow a longer period. The point may even be of importance in the case of concerns not yet liable to E.P.T., and all cases should be reviewed, with a view to " protective " applications being made. The provisions of the Excess Profits Tax (Procedure on Appeals, etc.) Regulations, 1941 (S.R. & O., 1941, No. 1762), should be noted.

Diminution of Earned Income

The approach of April 5 makes it opportune to review all assessments on earned income for 1940/41 with a view to ensuring that any claim under Section 11, Finance (No. 2) Act, 1939, as extended by Section 23, Finance Act, 1940, is made in due time. Claims for 1941-42 can, of course, be made any time up to April 5, 1943. The increased rates of tax make it essential to compute the possible relief in all cases where there was a diminution of earned income in 1940-41, bearing in mind that for the purposes of the relief, all earned income has to be taken into account, i.e., a diminution in one source cannot be segregated. In the case of businesses, the accounting period is usually allowed to be regarded as co-terminous with the year of assessment.

Claim Time Limits

In view of the difficulties under which accountants work to-day, they may be grateful for a reminder of other claims falling out of date after April 5, 1942, which must be made within the next five weeks, e.g., loss claims for 1940-41 under Section 34 of the Income Tax Act, 1918; a claim for 1939-40 for adjustment to " actual " in the case of a business set up in 1938-39 (Section 15, Finance Act, 1930); a claim for assessment on " actual " in 1940-41 in the case of an employment commenced in 1939-40 (Section 45 (4) (iii), Finance Act, 1927); repayment claims in respect of allowances, repairs and maintenance of property, bank interest or " error or mistake " for 1935-36; claims under Rule 6 of Schedule B for 1940-41; claims in respect of " voids " and lost rent under Schedule A for 1940-41; etc. When reviewing a farmer's accounts for 1940-41, it is well to look into the position for 1941-42, to see if a Rule 5 claim is advisable for 1942-43, as this must be made by June 5, 1942.

Estate Duty—Locality of Assets

In the 1940 Cumulative Supplement to " Dymond's Death Duties," it is stated that: " It is understood that where a person dies domiciled outside Great Britain beneficially entitled absolutely to 3 per cent. Defence Bonds, and the bond book is physically situate out of Great Britain at the date of death, the bonds are regarded as locally situate outside Great Britain, and accordingly not liable to British Estate Duty." It appears, however, that such books cannot be sent outside the sterling area without Treasury consent.

The consideration money payable by the Government for foreign securities and balances requisitioned by the Treasury under the Defence (Finance) Regulations, 1939, is to be treated as an asset outside Great Britain if the owner dies within six months after the expiry of the Regulations, if the requisitioned securities, etc., were so situated at the date of requisition.

Estate Duty Office

Probate must be obtained either by executors or administrators or by solicitors, but it is of interest to note the procedure to be adopted. The Estate Duty Office for England and Wales is now at St. George's Hotel, Llandudno. Probate can be obtained by post, the estate duty account having to be sent to the Accountant-General (Cashier), Inland Revenue, Queen's Hotel, Llandudno, with a remittance for the estate duty and interest, except in fixed duty cases. If no duty is payable, or a remittance is not sent, the account is sent to the Controller at the St. George's Hotel. The oath, will and any supporting documents, however, must be sent, with court fees, to the Receiver of Papers, Probate Registry, Towers Hotel, Llandudno.

In fixed duty cases, the account, with the adhesive stamps affixed (obtainable from post offices), is sent direct to the Probate Registry.

Avoidance

Apropos of the recent article on " The Practising Accountant's Quandary," it is interesting to read in Woolley's " Death Duties "—following this quotation from the judgment of Chitty, L.J., in *Attorney-General* v. *Beech* (1898, 2 Q.B. at p. 157): " The case either falls within the Act or it does not. If it does not there is no such thing as evasion. If a tax is imposed on using a crest or a coat-of-arms, and a man who has previously used them ceases to use them in order to be free from the tax, there is no evasion of the Act in any sense of the term legitimately used "—the following observation: " No encouragement is here offered to schemes whose objects are evasion rather than arrangements of one's affairs so as to avoid unnecessary attraction of taxation. If a person continues to use his coat-of-arms he should not attempt to evade the duty by placing his hand over it when he passes the Inland Revenue office." Mr. Woolley goes on to point out that devices for avoiding tax invite criticism on the grounds that they result in increasing the burden borne by more scrupulous taxpayers, and lead to legislation which imperils perfectly *bona fide* and unexceptionable dispositions, but that the border line is ill-defined. He then considers various devices connected with mitigating the death duties, prefacing his remarks with the suggestion that they constitute as much a warning against what had better not be attempted, as a lead to what can be safely done. To conclude, our readers might consider whether (*a*) leaving a legacy " free of legacy duty " or (*b*) leaving the wife a life interest instead of an absolute one is tax avoidance.

War Damage Contribution

The Revenue have now decided to revise assessments on buildings let in flats for the purposes of the War Damage Contribution by reference to the rental value at September 3, 1939, on the basis of the premises being fully let, i.e., effect is given to reduced rents but not to voids.

Excess Rents

In calculating excess rents in the case of rents collected weekly, it should not be overlooked that it is customary to deduct a concessional allowance of one-twenty-sixth of the net rent to meet the extra expense of weekly collection.

Illustration.—House let at £1 per week inclusive, rates £11, water rate £2, N.A.V. £24.

	£	s.	d.
Rent	52	0	0
Less Rates and water	13	0	0
	39	0	0
Deduct 1/26th	1	10	0
	37	10	0
Repairs allowance one-fourth, say	9	10	0
True N.A.V.	28	0	0
Actual N.A.V.	24	0	0
Excess rent	£4	0	0

(Repairs allowances are rarely taken to a lower fraction of a £ than the nearest 5s.)

The allowance has no statutory authority.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law.

Sur-tax—Undistributed income of company—Accounts submitted to Special Commissioners—Intimation of intention to proceed given by notice of making direction—Whether separate steps necessary. Finance Acts, 1922, Section 21; 1928, Section 18; 1939, Section 13 (5).

The facts and issue in *Star Entertainments, Ltd.* v. *C.I.R.* (K.B.D., October 9, 1941, T.R. 211) were that the company's accounts for the years to June 30, 1938, and June 30, 1939, were upon December 8, 1939, sent to the Special Commissioners for consideration under Section 18 of the Finance Act, 1928. Following a request on December 14, 1939, further particulars were delivered upon February 9, 1940. On March 15, 1940, directions were made under Section 21 of the Finance Act, 1922; and the company was so informed by letter of the same date. It was argued for the company that, Section 18 having been invoked, a direction without a previous intimation under clause 3 (a) of Section 18 was invalid. A further point was that " the reasonable time " specified in Section 21 of the 1922 Act must run its course even where Section 18 has been invoked by a company.

Lawrence, J., held the argument to be untenable. It was impossible to imply that a company was to be given a reasonable time between intimation and direction to enable it to make further representations. Consequently, the direction could be the intimation itself. Otherwise, the direction could follow immediately afterwards. Clause 3 (a) was intended to give the Revenue the opportunity of extending the time limit fixed by Clause 3 (b) and was not intended to give the taxpayer further opportunity to produce further facts or arguments.

Upon the purely technical issue, it would seem that Clause 3 (a) does contemplate the intimation of intention and the issue of a direction as separate steps in procedure although the one could follow immediately after the other. The case had originally been decided by the Special Commissioners for the Crown upon the ground that, even if a step had been omitted, it was cured by Section 13 (5) of the Finance Act, 1939. This argument had been abandoned in Court by the Crown.

Schedule B, Rule 8—Farming or market gardening—Mixed farm—Whether garden for the sale of produce.

David Lowe & Sons v. *C.I.R.* (Court of Session, November 6, 1941, T.R. 227) represented a second, and successful, attempt by the same firm to resist assessment under Rule 8 of Schedule B. The facts, taken as a whole, were very similar to those of *Bomford* v. *Osborne* (1941, 20 A.T.C. 77, T.R. 99), and the Court felt itself bound by that decision of the House of Lords. In the first case taken by the firm (1938, 21 T.C. 597) land occupied as one holding had been " split " and, to use the words of Lord Normand in the present judgment, the splitting " was not appropriate, not because the splitting of a farm is never competent, but because you cannot treat as a garden scattered pieces of a farm, which vary from year to year under the system of rotation which had been adopted." A statement in brief on the present legal position is by the same judge. " The truth is that the holding is worked on a system which enables ordinary agricultural methods to produce remunerative vegetable crops for human consumption as well as ordinary agricultural produce. This is a fairly recent development and was not in contemplation when the special rule . . . was introduced."

Income Tax—Charity—Strike-breaking organisation—Power to amalgamate with another organisation—Income Tax Act, 1918, Section 37.

The Trustees for the Roll of Voluntary Workers v. *C.I.R.* (Court of Session, November 6, 1941, T.R. 235), was a case where an unincorporated association was formed in 1919 to enrol voluntary workers to carry on essential services during strikes, lock-outs, or civil commotions. The association had no constitution but had issued a statement of policy. Money was subscribed; and in 1921 a trust deed was executed which directed that the money available and that subsequently received should be paid over to the Executive Committee of the Association or other organisation with which the Association might amalgamate, or into which it might merge. The trustees claimed that the association was a body established for charitable purposes only; that the income was so applicable and applied; and that it was, therefore, entitled to exemption from income tax. The Special Commissioners had refused relief, and the Court unanimously agreed with them. They were of opinion that the purposes were political rather than charitable, whilst there were other disentitling features. Some of the *dicta* in the case are memorable. Referring to Lord Macnaghten's judgment

in *Pemsel's* case (1891, A.C. 531, 3 T.C. 53) Lord Normand said : " But it is a misunderstanding to suppose that Lord Macnaghten meant that every trust which is public is necessarily charitable." Lord Fleming, declaring that the words " charitable purposes " had never been applied to purposes of predominantly political flavour, added, " To hold otherwise would impose upon the Courts of Law the impossible duty of being required to decide whether or not a certain line of political action was beneficial to the community." Lord Moncrieff was even more blunt. " It is not for courts of law to confer a charitable immunity upon a usurpation by private persons of the functions of Government."

Whilst the decision is in accord with previously accepted views, the judgments are worthy examples of Scottish judicial wisdom upon a matter of great importance in constitutional law.

Income Tax—Deduction—Mills, factories, or other similar premises—Grain elevators—F.A., 1937, Section 15.

In *C.I.R.* v. *Leith Harbour Commissioners* (Court of Session, November 6, 1941, T.R. 239), one of two findings by the General Commissioners had been that the grain elevators of the respondents were within the Section because processes upon grain were performed and the buildings were, therefore, similar to mills. A unanimous Court approved this finding. The Court refused to give a decision upon the point whether, under sub-section (3), paragraph (1), the whole elevator or only a part of it was within the allowance, that issue not being raised on the case before the Court.

The decision is similar to that in the *Union Cold Storage* and *Borthwich* cases (1939, 17 A.T.C. 458, 22 T.C. 195). Lord Normand's description of a mill is, however, concise and useful. " The essential of a mill is a process carried on by machinery by which the material subjected to it is made suitable for further treatment in a factory or another mill or for use."

Income Tax—Trade Profits—Instalments of payments of monopoly value—Licensing (Consolidation) Act, 1910, Section 14 (2)—Income Tax Act, 1918, Schedule D, Cases I and II, Rule 3 (b).

The issue in *Henriksen* v. *Grafton Hotel, Ltd.* (K.B.D., Oct. 1, 1941, T.R. 207) was almost the same as that in *Kneeshaw* v. *Abertolli* (1940, 2 K.B. 295, 23 T.C. 462) dealt with in our issue of December, 1940. There it was held, following decisions in other cases, that, where the application was for a licence for more than one year and the annual payments were instalments of that sum, such annual payments were inadmissible as deductions for income tax purposes. In the present case the justices fixed the monopoly value for periods of three years payable in equal annual instalments.

In *Kneeshaw* v. *Abertolli* it was not stated whether the respondent was owner or lessee. Here he was a lessee ; and it is worthy of note that in both cases the General Commissioners decided in favour of allowance and in both their decisions have been reversed by Lawrence, J.

Now that the point is settled, it is clear that the main burden of the tax in the case of new tenancy agreements will be upon the owners of such properties, because where the premises are held upon lease it will be reflected in a reduction of the rent or other contractual payment for their use. If a prospective tenant is unduly pessimistic as to the prospects of income tax in this country, he may shift to the owner more than what he will actually pay ; whilst, if he is too optimistic, he will tend to suffer from his optimism.

LETTERS TO THE EDITOR

Undrawn Remuneration

DEAR SIR,—The paragraph appearing in the January issue of Taxation Notes headed " Undrawn Remuneration " is to be commended and, in my view, should receive wholehearted professional support. The inequity of pressing these assessments, irrespective of the special circumstances that may (in certain cases of necessity) give rise to the state of remuneration being undrawn, is a real hardship.

The difficulty appears to be directly attributable to that principle of taxation which claims that if in any year of assessment a source of income continues to exist, the holder of that source must be assessed on the measure of the previous year's income notwithstanding that during the year of assessment the potential source of such income has in fact produced nothing.

Your Taxation Note states that " If the remuneration is waived the assessment is discharged," but unfortunately this equitable procedure is not universally adopted by inspectors without question. In more than one case coming under my own observation, the Inspector of Taxes has insisted that waiveture alone is not enough, but to be effective it must also be accompanied by resignation, but I have never been satisfied as to the lawfulness of the inspector's contention.

Yours faithfully,

London, G. ROBY PRIDIE.
February 12, 1942.

[The note in question referred only to assessments based on remuneration which has not been drawn, not to those, based on the previous year's *drawn* remuneration, for a year of assessment in which the impracticability of drawing it first arises, as the latter are covered by *Henry* v. *Galloway* (17 T.C. 470). Where a diminution claim is competent, however, it also arises in this instance.—EDITOR, ACCOUNTANCY.]

Taxation and Incentive

DEAR SIR,—I read with great interest your editorial in the February issue, which gives a very faithful and courageous representation of the present position. It is definitely true that " the taxation of wartime increases in earnings, especially overtime earnings, is having a noticeably deterrent effect on output." I heard recently of men on work governed by the Essential Work Order taking days off to earn casual moneys snow shovelling. These casual earnings never see the " light " of income tax. If the Chancellor of the Exchequer sincerely believes his recent statement that income tax is not having any appreciable effect on output, I would respectfully suggest that he is very much out of touch with what is taking place.

You quote the statement that the income-tax machine is in danger of coming nearer to breakdown this year than ever before. This is very true of the position in professional offices dealing with taxation matters. Owing to depletion of staffs, long delays are taking place in replying to letters from Inspectors of Taxes, and unless something is done to relieve the position, in a time not too far distant a state of chaos will arrive.

Yours faithfully,

Bradford, C. D. BUCKLE.
February 11, 1942.

FINANCE— The Month in the City

Compulsory Marking

For some time a sub-committee of the Stock Exchange has been considering the possibility of reforms in the methods of registration of business done. To assist it in its task, members have been asked whether they favour the principle of compulsory marking, subject to safeguards; whether they have any suggestions for improving the present procedure; and whether they consider the Stock Exchange Lists are capable of improvement. Opinion within the Stock Exchange is known to be rather sharply divided on the question of compulsory marking. It is recognised that the marking of bargains acts as a useful check upon possible irregularities, and that the present system is liable to cause misunderstandings among the investment public. On the other hand, there seem to be quite strong objections to compulsory marking on technical grounds. For example, it is quite usual for deals in exceptionally large lines of stock to take place below the current quotation for the ordinary run of bargains. A jobber compelled to mark such a special transaction would necessarily be putting the whole market on notice as to the state of his book, and would thus tend to drive the market against himself. For reasons of this kind, it may be doubted whether sufficient unanimity of opinion exists to permit of really far-reaching changes in procedure. On the question of revising the Stock Exchange Lists, however, there could be little doubt that substantial improvements are possible. Attention has been called to a number of anomalies in the present method of drawing up the Lists. One of these is the use for some (but not all) American securities of that fictitious unit, the London dollar (five to the £). It is pointed out, too, that companies in the same industry or securities of very similar type are often classified into different groups for purposes of the Lists, and it is suggested that investors would be helped if the various securities issued by the same company or borrower were listed in order of seniority for dividends instead of by date of issue.

Foreign Bond Defaults

Inevitably, the Council of Foreign Bondholders have to report still further defaults on foreign securities in 1941, due to war developments. For the first time, Japan enters the list of defaulting debtors into which her aggression had already driven China, while the spread of Nazi domination in Europe has brought a complete cessation of payments by Greece and Yugoslavia. What is most disappointing, however, is the failure of Central and South American countries to resume or increase the service of their external debt, notwithstanding the spectacular improvement in their exchange position, due largely to purchases of commodities by the British and American Governments. There would seem to be no inherent reason why dollar balances should not be applied to the service of sterling debt. Yet no further settlements have been reached, and all that the Council can record on the credit side is that no fresh defaults have taken place. Leaving aside municipal and provincial loans, Chile has not yet resumed regular amortisation of its debt, efforts to obtain a satisfactory offer from Columbia have not been successful, and Ecuador has given no effect to its expressed desire to reach settlement. Peru and Costa Rica remain in complete default, Nicaragua has suspended the sinking fund, Paraguay delays in resuming debt service, and Mexico has not yet produced a settlement. This sorry story emphasises the need for the utmost possible official support for the Council's activities. In view of our heavy losses of overseas assets, both dollar and sterling, it is most desirable that every effort should be made to bring defaulting debtors up to the mark, where our bargaining power as a nation permits.

Fine Spinners Scheme

Unlike the proposals put forward and then withdrawn in 1938, the revised Fine Cotton Spinners' reorganisation scheme has had a very favourable reception. It is symptomatic of the great improvement in the concern's earning power that there is no longer any question of a reduction in capital. Indeed, although the directors in submitting the scheme express the view that the profits will be substantially reduced by controls for a period of years, there is no suggestion that it should not be possible to cover prior dividends while maintaining a modest distribution on the ordinary. The object of the scheme is purely to dispose of the preference arrears. All classes of shareholder seem to be fairly treated. In return for cancellation of their arrears, the preference receive 2s. in cash and 2s. in 5 per cent. cumulative funding certificates, while the preferred ordinary are to receive £210 of ordinary in exchange for £100 of preferred ordinary. This exchange is made possible by the conversion of the £940,000 preferred ordinary into ordinary shares, and the writing down of the existing £1 ordinary by 5s. The ordinary shareholders thus secure an immediate prospect of dividends in return for the surrender of 38 per cent. of the equity, as compared with some 66 per cent. under the 1938 proposals.

Further Drop in Pacific Securities

Whatever the political news during March, reinvestment of the funds—more than £100 million—to be paid out in respect of requisitioned Indian and Canadian stocks should suffice to secure a firm background for the investment section of stock markets. In face of the disturbing news from the Far East, not only gilt-edged, but also most home industrials, preserved a fairly firm front last month, as will be seen from the table below. An outstanding exception was chain-store shares, which were depressed by the unfavourable forecast of trading conditions this year contained in the interim report of the Retail Trade Committee. On the other hand, Home Rails advanced in anticipation of some improvement in the recent dividend declarations. Securities directly affected by our Far Eastern reverses naturally continued to decline. Australian and New Zealand stocks are now firmly frozen at their minimum prices. Malayan rubber and tin shares show further heavy losses, and in some cases the decline has now gone so far that existing quotations would seem to be justified by holdings of liquid assets alone. Figures of liquid assets need careful interpretation, however, as they are apt to include substantial holdings of shares in other Malayan concerns.

	Feb. 23	Jan. 23	Change
War Loan 3½% ...	105	105¼	−¼
Australia 5% 1945-75...	101 min.	101¼	—
N. Zealand 4½% 1948-58	98 min.	99¼	—
Brazil 4% 1889 ...	20¾	21¼	−½
L.N.E.R. 2nd Pref. ...	19½x.d.	20	+½
Woolworth Ord. ...	48/6	58/9	−10/3
Kuala Lumpur... ...	7/6	12/6	−5/-
Petaling Tin	6/3	9/9	−3/6
Amal. Tin of Nigeria ...	8/-	9/1¼	−1/1¼
Financial News Indices:			
Fixed interest ...	*133·5*	*133·6*	*−0·1*
Ordinary	*76·4*	*80·8*	*−4·4*

Points from Published Accounts

E.P.T. Reliefs

The accounts of Trinidad Leaseholds are noteworthy because they are the first in which any public company has taken a really substantial credit in respect of E.P.T. repayments. In 1939-40 the company returned trading profits of £1,511,659, but during the year to June 30 last there was a fall to £1,075,960. Out of the earlier surplus income tax took £660,000 and E.P.T. reserve accounted for another £340,000. This time a sum of £400,000 has to be provided for income tax and N.D.C., but as the fall in trading profits has released the £340,000 E.P.T. reserve previously made the net appropriation for taxation is only £60,000. In consequence, even after writing off the £527,301 cost of additional drilling which the company was required to carry out during the year, this representing an entirely new charge, the net surplus records an advance from £138,460 to £153,328. And this means that the maintained 15 per cent. dividend is provided with an ample margin to spare, whereas last time there was a moderate call on the carry-forward. In the current year a number of other companies may be expected to take credit for E.P.T. rebates, and in particular the likely amount of such credits is of special interest to investors in rubber and tin-producing enterprises whose properties have fallen into enemy hands. At a time when the shares of such enterprises are being assessed largely by reference to net current assets, the possibility that tax repayments may accrue naturally acts as a buttress to stock market quotations. Unfortunately few companies follow the example of Trinidad Leaseholds in showing E.P.T. appropriations separately from other charges, so that in any individual case the " tax repayment " factor is difficult to gauge. The manner in which E.P.T. provisions work out in practice has been further exemplified for the investor by the reports of two such dissimilar undertakings as Henekeys and the Nigerian Electricity Supply Corporation, both of which have intimated that E.P.T. is unlikely to be a burden in the immediate future owing to deficiencies brought forward from previous periods.

Orient Steam Navigation

A relatively full revenue statement is presented by Orient Steam Navigation, the operating profit of £586,144 being disclosed subject to a deduction of £300,000 for fleet depreciation. This makes it all the more of a deficiency that profits and appropriations are not shown more clearly. The balance carried to the balance sheet from profit and loss account is £215,248, but this on the one hand includes the sum of £65,946 brought forward from the 1939-40 account and on the other excludes £100,000 added to general reserve and £50,000 taken to pension reserve. It is necessary to make the appropriate adjustments to find the net profit, which amounts, before reserve allocations, to £299,302. Even then an inordinate volume of figuring is required before this surplus can be related to dividend requirements. The balance sheet shows £41,130 deducted for preference dividends paid January 1, 1941; but with income tax at 10s. in the £ it is not at once clear whether this is a gross sum for six months or a net sum for twelve months. The statement as to the date of payment is a guide for those accustomed to handling accounts; but the average shareholder who may be in doubt on the point gains little help from the report. This, after giving the profit and loss balance as £215,248, notes that out of this the preference dividends have to be paid, and goes on to recommend an ordinary dividend of 5 per cent. tax free and that £80,944 be carried forward. No particulars of the amounts involved in these payments are given, and it is to be feared that only the most pertinacious shareholder would ultimately succeed in fitting the picture together.

Thomas Tilling

In his statement to shareholders the chairman of Thomas Tilling makes the point that taking the last financial year of each of the companies in the group there was an aggregate E.P.T. liability of approximately £4,120,000. It would, however, be misleading to contrast this with the net profit of £524,496 returned by the company itself, for the undertakings within the group are by no means all wholly owned subsidiaries. This is important to bear in mind in considering the form of the balance sheet, for even though £6,091,801 of the assets total of £7,423,359 is represented by investments, there are obvious difficulties in the way of presenting a consolidated balance sheet. Thus, £1,344,042 is in London Transport stocks and other holdings and £2,114,777 in associated companies, interests in subsidiaries accounting for £2,632,982. In any case the absence of a composite statement is largely offset by the inclusion of a schedule of the investments in the subsidiary and associated companies. Included in the holdings in subsidiaries are 1,176,720 ordinary shares of National Omnibus & Transport, which alone have a current market worth of over £2,500,000, while the chief interest in the associated companies is a holding of 1,933,142 ordinary shares of Tilling & British Automobile Traction, which has a current market value of £5,000,000 odd. The detailed statement of investments thus has the merit of demonstrating that the book values placed upon these assets are undeniably conservative.

Tobacco Companies' Accounts

There is a clearer case for appealing for the issue of a consolidated statement by British-American Tobacco. Under a scheme for mobilising our dollar assets this company relinquished its prior charge holdings in Brown & Williamson, its U.S. subsidiary, receiving from that company $25,000,000 in cash. As a consequence the latest balance sheet records an increase of £5,315,000 to £8,706,915 in cash and Government securities, and a decline of £4,388,000 in investments in subsidiaries. The latter still have, however, the large total of over £30,000,000. There is another £4,347,524 held in investments in associated companies, and the auditors state that " the investments in subsidiary and associated companies possess, in the aggregate, a value largely in excess of the figures shown in the balance sheet." This is an unusual observation to be incorporated in an auditors' report, and it is not without interest to note the different practice followed by Imperial Tobacco, which has a large interest in British-American Tobacco and the same auditors. In this case the investments in subsidiary and associated companies are brought in at £15,175,617, and an intimation that " in the aggregate the value of the above investments is largely in excess of the book figure " is only accorded the status of a balance-sheet note.

LAW —

Legal Notes

EMERGENCY LEGISLATION

Mortgage—Application for Leave to Proceed—Owner of Equity of Redemption to be made Respondent—Courts (Emergency Powers) Act, 1939.

A person in whom the equity of redemption is vested and who is not liable to pay the mortgage debt is not protected by the Courts (Emergency Powers) Acts. But as the mortgagee must take out a summons for leave to proceed, and as a summons is not an *ex parte* application, a respondent must be named. Thus, where no one is liable upon a covenant to pay the mortgage debt, no one can effectively oppose the summons; in such a case, for requirements of procedure, the owner of the equity of redemption must be made respondent. By the Consolidation Rules, 1940, a respondent to such a summons is not required to enter an appearance, and there is no real hardship on an owner of an equity of redemption in being made a respondent.

In *Re Hearts of Oak Permanent Building Society's Application* (1942, 1 All E.R. 46), the society applied to Morton, J., in the following circumstances. B. mortgaged registered land to the society as security for her repayment of a loan to her by the society. The property was transferred to W., who on becoming its registered proprietor, made the payments due on the mortgage. On the transfer, the society did not release B. from her covenant to pay, nor did they take a covenant from W. In October, 1940, W. defaulted in his payments and was later made bankrupt. The respondent to the application before the Court was W.'s trustee in bankruptcy. The society took out an originating summons for leave to proceed to exercise the normal remedies of a mortgagee. The Master held that B. was the proper respondent. Subsequently the society executed a deed releasing B. from all liability under the mortgage. Later the case again came before the Master who, at the request of the society, adjourned it to Morton, J. He held that although B. could not be found and therefore had not signed the deed, she was effectively released by it. From the date of its execution, therefore, there was no one "liable to pay the debt or perform the obligation in question" within the meaning of the Act. Therefore the trustee in bankruptcy, as the present owner of the equity of redemption, was the proper person to be made respondent. The trustee raised no objection to an order as asked for by the summons; indeed he was not entitled to do so. Therefore Morton, J., gave leave to the society, on its giving proper undertakings, to proceed to exercise the appropriate remedies.

No Duty of Court to secure Equality amongst Secured Creditors—Appointment of Receiver by Mortgagee.

The primary concern of the Courts (Emergency Powers) Act, 1939, is the relief of the debtor, not the protection of the general body of creditors. The Court does not exercise a bankruptcy jurisdiction when it gives leave to proceed; it is protecting the debtor from misfortunes due to the war, not equitably distributing the debtor's assets amongst his creditors. This latter object is envisaged by the recent Liabilities (War-time Adjustment) Act, 1941. But in the case of *Pritchard-Jones* v. *Le Vaye* (1941, 3 All E.R. 455) the question raised involved only the jurisdiction under the 1939 Act. The appellant owned several properties, all subject to mortgages, and except for cash in the bank owned no other property. Two of the mortgagees were each in enviable positions in that the rents more than sufficed for all outgoings, including mortgage interest. In all other cases, the rents were insufficient. One of the two fortunate mortgagees was the respondent, who had obtained leave of the Court to appoint a receiver. The appellant contended that the judge had misconceived the scope of the 1939 Act, and that its purpose was to secure the equitable distribution of a debtor's property; that the application should have been refused so that the rents of the mortgaged property should be available for equalising the position as between the respondent and other mortgagees.

The Court of Appeal rejected that argument. The Master of the Rolls said that the result of paying a particular debt might be that the debtor was unable to satisfy other creditors, who would thereby suffer injustice. But on the other hand, if the Court had refused leave, the debtor might have applied his resources to the payment of other creditors, so that the creditor who applied would have been penalised. That was one of the reasons for the Liabilities (War-time Adjustment) Act, 1941. The present application was not for the benefit of the debtor, but for the benefit of the other creditors. In the case of secured creditors, there was obvious inequality from the outset; one might have a good security, another a bad one. It was not for the Court to make an order so as to give the creditor with the worse security the advantage enjoyed by the creditor with the better one. Where there were only unsecured creditors, the position differed from that where there were both secured and unsecured creditors. In the latter case it was no part of the Court's function to remove an existing inequality. The appeal was dismissed.

MISCELLANEOUS

Enemy Aliens—Company in Enemy-Occupied Territory—Trading with the Enemy Act, 1939*—Defence Regulations.*

In *Re An Arbitration* (1941, 3 All E.R., 419), the Court of Appeal decided an important point regarding companies incorporated in and carrying on business in enemy-occupied territory. It decided that a Dutch subject who has remained in Holland during the present German occupation, and carried on his business there, is not an enemy alien at common law. The respondents were ship-owners incorporated under the law of the Netherlands and carried on business at Rotterdam. They chartered one of their vessels to the appellants, a Russian company; a clause provided for arbitration in London. In April, 1940, on disputes arising, each party appointed an arbitrator, but before the arbitration could be held, Holland was occupied by the Germans in May, 1940. The appellants refused to proceed with the arbitration on the ground that in the circumstances the respondents had become enemy aliens. They based this contention on three grounds, (1) under common law; (2) under the Trading with the Enemy Act, 1939; (3) that as soon as the Netherlands became enemy-occupied territory, the retainer of the respondents' solicitors *ipso facto* determined. The Court of Appeal rejected all these grounds, and held, (1) at common law, a company incorporated under the laws of an allied country occupied by the enemy is not, merely because it continues to carry on business in that country, to be treated as an enemy alien so as to in-

capacitate it from proceeding in the English Courts to recover a trade debt; (2) if a person is not an enemy alien at common law, he does not become one by virtue of the Trading with the Enemy Act, 1939. That Act prohibits certain dealings with persons defined as enemy aliens under Section 2 (1) as extended by the Defence Regulations, 1940, and makes provision respecting the property of such persons. Otherwise their status is not affected; (3) the retainer of respondents' solicitors was not determined when the respondents became enemies merely for the purpose of the Trading with the Enemy Act. The decision was the unanimous one of the Court of Appeal; its importance is such that leave was granted to appeal to the House of Lords.

The Emergency Acts and Orders

In our November, 1939, issue we published the first instalment of a comprehensive guide to the wartime enactments and Orders which most concern the accountant. The twenty-eighth instalment is given below. The summaries are not intended to be exhaustive; but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

COMPANIES

No. 2056 (1941). *Order in Council adding Regulation* 8 *to the Defence* (*Companies*) *Regulations*, 1940.

Regulation 60K of the Defence (General) Regulations is transferred to become Regulation 8 of the Defence (Companies) Regulations. It gives power to Northern Ireland companies, subject to a special resolution, to carry on business as growers of flax or producers of flax fibre.

(See ACCOUNTANCY, December, 1941, page 53.)

EXPORTS

Nos. 36, 68, 172, 215, 240 (1942). *Export of Goods* (*Control*) *Orders*, 1942, *Nos.* 2, 4, 5, 6, 7.

Further additions and amendments are made to the list of goods subject to export control.

No. 45 (1942). *Export of Goods* (*Control*) (*No.* 3) *Order*, 1942.

The provision allowing the export of certain goods to British possessions does not apply to export by post.

No. 40 (1942). *Order of the Board of Trade revoking certain licences.*

With a few exceptions, all licences are revoked so far as they authorise the export of any goods to British North Borneo, Gilbert and Ellice Islands Colony, Hong Kong, Federated Malay States, Unfederated Malay States, Nauru, Sarawak, or Straits Settlements.

(See ACCOUNTANCY, February, 1942, page 89.)

FINANCE

No. 2072 (1941). *Securities* (*Restrictions and Returns*) (*No.* 4) *Order*, 1941.

No. 2073 (1941). *Acquisition of Securities* (*No.* 6) *Order*, 1941.

Holdings of Government of India 3 per cent. stock (1948 or after) and 2½ per cent. stock have been requisitioned.

(See ACCOUNTANCY, December, 1941, page 53.)

LIMITATION OF SUPPLIES

Nos. 44, 86 (1942). *General Licences under the Limitation of Supplies* (*Cloth and Apparel*) *Order*, 1941.

Registered persons may supply outside quota, (*a*) silk stockings, either for export or otherwise, under certificates from the British Silk Stockings Corporation, Ltd.; (*b*) goods supplied against coupons marked "quota free."

No. 187 (1942). *Limitation of Supplies* (*Miscellaneous*) (*No.* 14) *Order*, 1942.

Some amendments are made in the Miscellaneous No. 13 Order, relating principally to Classes 14 and 15 (fancy goods, etc., and goldsmiths' and silversmiths' wares).

(See ACCOUNTANCY, February, 1942, page 89.)

PRICES OF GOODS AND SERVICES

No. 76 (1942). *General Licence under the Price-Controlled Goods* (*Restriction of Resale*) *Order*, 1942.

Goods manufactured for a closed firm under an approved scheme for the concentration of production may be resold, otherwise than by retail, by a trader who has purchased them from the closed firm.

(See ACCOUNTANCY, February, 1942, page 89.)

RATIONING

No. 2000 (1941). *Consumer Rationing* (*No.* 8) *Order*, 1941.

This is a consolidation of the provisions relating to the rationing of cloth and apparel. The original Order is revoked.

(See ACCOUNTANCY, August, 1941, page 200.)

No. 211 (1942). *Soap* (*Licensing of Manufacturers and Rationing*) *Order* 1942.

Soap manufacturers must be licensed. The retail supply of soap is subject to rationing. Traders and institutions must keep such books, accounts and records as the Minister may direct.

TRADING WITH THE ENEMY

Nos. 15, 147 (1942). *Trading with the Enemy* (*Specified Persons*) (*Amendment*) *Orders*, 1942, *Nos.* 1 and 2.

Further additions, deletions and amendments are made in the list of persons with whom dealings are prohibited.

(See ACCOUNTANCY, February, 1942, page 89.)

PERSONAL NOTES

Mr. R. Bennett, A.S.A.A., Borough Treasurer, Colwyn Bay, received the honour of M.B.E. in the New Year Honours List.

Mr. William Matthew Grier, A.S.A.A., has been appointed Town Chamberlain of Barrhead, Renfrewshire.

Messrs. Morgan Brothers & Co., Incorporated Accountants, of 38, Leigham Drive, Isleworth, Middlesex, and 2, Dennis Parade, Winchmore Hill Road, Southgate, announce that Mr. Hedley Mark, A.S.A.A., who has been a member of their staff for the past 22 years, has been admitted into partnership as from January 1, 1942. The firm's name will remain unchanged.

A partnership has been arranged between Mr. C. W. C. Smith, F.S.A.A., formerly carrying on practice at 176, Camden High Street, N.W.1, and at Muswell Hill, and Mr. E. Luff-Smith, A.S.A.A., of 143-145, Abbey House, Victoria Street, S.W.1. The joint practice will in future be carried on under the style of Luff, Smith & Co., Incorporated Accountants, at Drayton House, Gordon Street, London, W.C.1.

Messrs. C. N. Walter, Lester & Co., Incorporated Accountants, announce that they have taken additional offices at 81, High Street, Bromley, Kent. They are retaining their offices at 290, Finsbury Pavement House, London, E.C.2, for appointments.

Society of Incorporated Accountants

RESULTS OF EXAMINATIONS

DECEMBER, 1941

Passed in Final

Order of Merit.

WILLIAMS, FREDERICK OUTFIN, Clerk to R. W. G. Taper, Paignton. (*First Certificate of Merit and Prize.*)

Alphabetical Order.

AUERBACH, CYRIL JAMES, Clerk to Joel Auerbach, London.
BAILEY, WILLIAM JAMES, Clerk to Fitzhugh, Tillett & Co., London.
BOORMAN, VICTOR DOUGLAS, Clerk to R. H. Munro (R. H. Munro & Co.), London.
BROOKSBANK, JOHN VINCENT, Clerk to F. Arthur Pitt & Co., Manchester.
BUTLER, NORMAN EDWARD, City Treasurer's Department, Norwich.
CRANE, ALBERT GORDON, Clerk to Alban & Lamb, Newport, Mon.
CURTIS, CUTHBERT RAYMOND, City Treasurer's Department, Winchester.
DOUGLAS, WILLIAM ROUTLEDGE, Treasurer's Department, Spenborough Urban District Council, Cleckheaton.
GOODALL, HAROLD PERCY (Thos. Goodall & Son), Cork, Practising Accountant.
HARRIS, HENRY POYNTER, Clerk to L. R. Stevens & Co., London.
HOGAN, FRANCIS, formerly with Arthur E. Piggott, Son & Co., Manchester.
HUMPHREYS, GEORGE, Treasurer's Department, Urban District Council, Newton-le-Willows.
KASSELL, JOHN GEOFFREY AMBROSE, Clerk to Herbert Holmes, Pontefract.
KERSHAW, CLIFFORD HAROLD, Clerk to J. W. Richardson (Wells & Richardson), Sheffield.
KIRK, HERBERT VICTOR, B.Com.Sc., Clerk to Stewart Blacker Quin, Knox & Co., Belfast.
LINNANE, THOMAS MICHAEL JOSEPH, Clerk to Purtill & Co., Dublin.
LLOYD BARBARA, Clerk to Harold Powell, Treasurer, Urban District Council, Abertillery.
LOMAS, WILLIS, Clerk to Robt. A. Page & Co., Nottingham.
MASON, JOHN HORSLEY, Clerk to B. Mortimer (Percy Pemberton & Co.), Leeds.
NETTLETON, HORACE EUGENE, Clerk to Davies & Crane, Southport.
PARROTT, JAMES NEWCOME, Clerk to Keens, Shay, Keens & Co., Bedford.
PEATTIE, WILLIAM RONALD, Clerk to Rawlinson, Allen & White, Belfast.
PENNINGTON, THOMAS, Clerk to Griffiths, Burne & Co., Bolton.
ROBERTS, ARTHUR CONWYSON, Clerk to Rowland Jenkins & Co., Newport, Mon.
ROBERTS, DAVID GLYN, Clerk to F. R. Tillett (Fitzhugh, Tillett & Co.), London.
ROSS, JAMES, Clerk to Osborne, Cooke & Co., Belfast.
SPILLANE, JOHN ALBERT, B.Comm., Clerk to Kirby & Kirby, Cork.
SPINKS, HENRY ALFRED, Clerk to Macredie & Evans, Sheffield.
STUBBINGS, HORACE, Borough Treasurer's Department, Leyton, London, E.10.
UTTING, ERNEST ALAN, City Treasurer's Department, Oxford.
WADE, WILLIAM, Treasurer's Department, Merton and Morden Urban District Council, London.
WARD, CYRIL WILLIAM, Borough Treasurer's Department, Scunthorpe.
WATSON, ARNOLD CLARK, Clerk to C. W. Allan, Bradford.
WILKINSON, GEORGE ALDERSON, Clerk to Geo. Blakelock (Laverick, Walton & Co.), Sunderland.
WILLIAMS, BERNARD AUGUSTUS, City Treasurer's Department, York.

SUMMARY:—
1 *Candidate awarded Honours.*
35 *Candidates passed.*
39 *Candidates failed.*
75 Total.

Passed in Intermediate

Order of Merit.

COOKE, KENNETH EDWARD ARMYTAGE, City Treasurer's Department, Norwich. (*First Place Certificate.*)

Alphabetical Order.

ASH, RONALD ARTHUR, Clerk to C. T. Stephens (William Clark & Stephens), Newport, Mon.
AYLING, WILLIAM WALTER, Borough Treasurer's Office, Margate.
BARNARD, ARTHUR JAMES, B.A., Treasurer's Department, Urban District Council, Wellingborough.
BENNETT, JOHN FRANK, Clerk to John Bennett, Borough Treasurer, Nuneaton.
BERLAK, HERMANN LUDWIG, Clerk to J. Dix Lewis, Cæsar, Duncan & Co., London.
CASHMORE, EDWARD, Clerk to Alfred Nixon, Son & Turner, Manchester.
CHAPPELL, THOMAS JAMES, Clerk to Jackson, Pixley & Co., London.
CLARK, HENRY WALKER, Clerk to H. J. Sargeant (W. T. Walton & Son), West Hartlepool.
COONEY, JOSEPH LAURENCE, Clerk to Gerald J. Moore, Dublin.
CRUMPTON, RONALD, Clerk to OSMAN W. Davies (O. W. Davies, Mumford & Co.), Kidderminster.
DEAN, AUDREY DEVEREUX, Clerk to W. G. Lithgow (W. G. Lithgow & Co.), Southport.
FARAM, GEOFFREY OGDEN, Clerk to J. King Bennett, Borough Treasurer, Wembley.
GARDNER, WILFRED, Clerk to Peat, Marwick, Mitchell & Co., Middlesbrough.
GRANT, JOHN MCLEAN, Clerk to J. H. Whyte, South Shields.
HALL, PETER, Clerk to Richard Place & Co., East Grinstead.
HALLAM, JOHN STUART, Clerk to W. S. Tomlinson, Newcastle, Staffs.
HANNANT, TONY ALLEN, Clerk to Henry A. Morley, Nottingham.
HILL, JAMES MICHAEL, Clerk to E. R. Gregory (J. & A. W. Sully & Co.), Bridgwater.
IONS, ERIC MACKINTOSH, Borough Treasurer's Department, Wolverhampton.
JOHNSON, ALAN FRANK, Clerk to S. J. Clark (Westlake, White & Co.), Southampton.
JONES, RICHARD, Cardiganshire County Accountant's Department, Aberystwyth.
LANGLEY, THOMAS RICHARD, Clerk to G. R. Griffin (Griffin & Co.), Birmingham.
LORD, GRANVILLE, Clerk to C. Keighley (John Tonge & Johnson), Manchester.
MOXHAM, ALBERT BRAIN, Clerk to H. O. Johnson (Mundy, Brewer and Johnson), Bath.
NOWELL, WILLIAM CLAYTON, Clerk to J. P. Duxbury (Nathaniel Duxbury, Son & Co.), Blackburn.
PEARSON, JOHN FRANK, Clerk to F. W. Berringer (F. W. Berringer & Co.), Bromley, Kent.
POTTS, SAMUEL, Clerk to Harry Snape (Snape, Shaw & Co.), Manchester.
PRICE, EDWARD GRANVILLE, Clerk to Thomas Arthur Gittins, Oswestry.
RHODES, ERIC BLACKBURN, Clerk to Miles N. Walton, Borough Treasurer, Pontefract.
RIDER, WILLIAM DENNIS, Borough Treasurer's Department, Crewe.
SHANAHAN, PHILIP LEO RAPHAEL, B.Comm., Clerk to M. F. Quillinan, Cork.
SNELLING, LESLIE ROBERT, Clerk to W. R. Baskett (Baskett & Bryant), London.

SUTCLIFFE, JAMES NORMAN, Clerk to P. W. Stirk (Jacques & Stirk), Keighley.
TRUSWELL, LESLIE STUART, Clerk to J. S. Streets & Co., Lincoln.
WICKEN, FREDERICK HENRY, Clerk to C. McCabe, Ford & Co., Maidstone.
WILLIAMS, DONALD EDMUND TROTH, Clerk to E. G. Bourne (E. G. Bourne & Son), London.
WILLIAMS, WILLIAM JOHN, Clerk to B. W. Antoine (Stephenson, Smart & Co.), Brecon.
WILSON, TOM, Clerk to E. R. Harrison (Ransom, Harrison & Lewis), Sheffield.
WITHERS, GEOFFREY OWEN, Clerk to Walter Johnson & Partners, Swindon.

SUMMARY :—
1. *Candidate awarded Honours.*
39 *Candidates passed.*
68 *Candidates failed.*

108 Total.

Passed in Preliminary

Order of Merit.

FOLEY, KENNETH, 50, Greenway Road, Timperley. (*First Place Certificate.*)
CUNNINGHAM, JAMES, 110, Cavendish Street, Belfast. (*Second Place Certificate.*)

Alphabetical Order.

ANDERSON, LESLIE SMITH, 74, Manley Street, Scunthorpe.
BAKER, ERIC WILLIAM, 37, Stanley Road, Bootle, Liverpool.
BILLINGS, DAVID HENRY, 7, Queen's Road, Sketty, Swansea.
BOALER, MICHAEL ALAN, 30, Trevor Road, West Bridgford, Nottingham.
BOYD, CECIL JOHNSTON, 262, Grosvenor Road, Belfast.
CLOUGH, WILFRED, 9, Goddard Street, Oldham.
COOKE, ALBERT EDGAR, 68, Bradgate Road, Anstey, Leicester.
CUSHWAY, SIDNEY JAMES, 58, Keogh Road, Stratford, London, E.15.
DRENNAN, JOHN LUNN, 52, Danube Street, Belfast.
EDWARDS, GEORGE HENRY, 313, Milligan Road, Aylestone, Leicester.
EDWARDS, LEONARD FRANK, c/o Messrs. Stokes Bros. & Pim, 36, College Green, Dublin.
FRANKLIN, GEOFFREY, 27, Park Road, Coldean, Brighton.
HALLIDAY, JAMES NORWOOD, 36, Deramore Avenue, Ormeau Road, Belfast.
HARTIGAN, DAVID, Ballyfoocuine, Patrickswell, Co. Limerick.
HICKINBOTTOM, SAMUEL GEOFFREY, Woden Mount, Wood Green, Wednesbury.
HOOD, JAMES WILLIAM, Ardgowan, Inveresk Place, Coatbridge.
IDDON, KENNETH MATTHEW, 135, Chorley Road, Bamber Bridge, Nr. Preston.
LESSELS, DONALD, 12, The Crest, Palmers Green, London.
MCGURRAN, BRYAN PATRICK, 4, Gransha Park, Belfast.
NATHAN, MURRAY, 5, Stockwood Crescent, Luton.
NELSON, BERNARD HENRY, 23, George Street, Whitby.
NURSE, JOHN HENRY, 142, Campden Crescent, Cleethorpes.
POCOCK, STEPHEN JOHN, 18, Wheeler Street, Maidstone.
POSTLES, REGINALD, 11, Brynton Road, Longsight, Manchester.
REYNOLDS, HERBERT, 42, Brentbridge Road, Fallowfield, Manchester.
SLATTER, RONALD CHARLES, 40, Chase Green Avenue, Enfield.
SMITH, ALAN, 47, Dundee Street, Chanterlands Avenue, Hull.
SPEED, KENNETH NICHOLL, 26, Merton Road, Bradford.
TAIT, ROBERT EDGAR, 9, Foul Ford, Berwick-on-Tweed.
WARD, CYRIL, 45, Ruthven View, Harehills Lane, Leeds.
WHITNEY, SAMUEL JAMES, 59, Grove Park, Rathmines, Dublin.
WILSON, EDWARD, 118, Sandown Road, Belfast.

SUMMARY :—
2 *Candidates awarded Honours.*
32 *Candidates passed.*
33 *Candidates failed.*

67 Total.

COUNCIL MEETINGS

JANUARY 29, 1942

Mr. Percy Toothill (President) in the chair, supported by Mr. Richard A. Witty (Vice-President) and other members of the Council, and Mr. A. A. Garrett (Secretary).

CANADIAN BRANCH

DEATH OF MR. A. F. C. ROSS

A resolution of condolence was adopted, on the death of Mr. A. F. C. Ross, Chairman of the Canadian Branch. The Secretary was instructed to communicate its terms to Mrs. A. F. C. Ross and to Messrs. P. S. Ross & Sons.

LONDON WARSHIPS WEEK

The Council decided to give wholehearted co-operation to the appeal by the Lord Mayor for contributions to war loans during Warships Week.

RESIGNATIONS

A report was received that the following resignations had been accepted as from the dates indicated :—

DILLON-SMITH, SAMUEL PERCY (*Associate*), Manchester, December 31, 1940.

PRICE, SYDNEY HAMILTON (*Associate*), London ; UPTON, EDWIN (*Fellow*), Liverpool ; WEBSTER, ALFRED ERNEST (*Fellow*), Bramber, December 31, 1941.

DEATHS

The Secretary reported with regret the death of each of the following members :—

BROADBENT, JOHN WILLIAM (*Associate*), Oldham ; CLARKE, FRANCIS WILLIAM (*Fellow*), Leicester ; FINLAYSON, JAMES JOHN (*Associate*), Huddersfield ; FOWLER, THOMAS CLEMENT EDWARD (*Fellow*), Bristol ; FRY, FREDERICK WILLIAM (*Fellow*), London ; GREEHY, JOHN HENRY EDMUND (*Fellow*), Epsom ; HEWITT, CHARLES (*Fellow*), Johannesburg ; MARSHALL, WILLIAM (*Major*) (*Associate*), London ; PYKE, ANGEL ELEAZAR (*Associate*), Melbourne ; ROSS, ALEXANDER FLEMING COPLAND (*Fellow*), Montreal ; SHANKLAND, ALFRED (*Fellow*), Cardiff ; STEVENTON, ERIC ANDREW EDWARD (*Associate*), Kingswood ; SUMNER, FRANCIS JOHN (*Associate*), Johannesburg ; THOMAS, DAVID BRYNMOR (*Fellow*), Merthyr Tydfil ; THORPE, ALFRED JOHN (*Fellow*), Rio de Janeiro.

A special meeting of the Council was held on January 29, 1942. Upon consideration of a report from the Disciplinary Committee, Mr. Eric Friis, Fellow, London, was excluded from membership of the Society for conduct derogatory to the Society, in accordance with the provisions of Article 35.

OBITUARY

NELLIE MAY DAWE

We have learned with deep regret that among those who lost their lives in a fire at a Manchester hotel, on February 11, was Miss N. M. Dawe, A.S.A.A. Miss Dawe was 50 years of age, and had been a member of the Society of Incorporated Accountants since 1925. She received her training in the office of Messrs. Annan, Dexter & Co., in the City of London, and with the exception of a short period as a company secretary, she remained with them till the time of her death. Her character was loyal, conscientious and sympathetic, and many of the firm's staff owed to her capable teaching much of their knowledge of accounting practice.

JOHN McROBBIE PETRIE

We regret to record the death, on February 12, at the early age of 48, of Mr. J. McR. Petrie, F.S.A.A., of Messrs. J. H. Lord & Co., Incorporated Accountants, Bacup. After serving articles with the late Mr. J. H. Lord, F.S.A.A., Mr. Petrie became a member of the Society of Incorporated Accountants in 1917, and was taken into partnership in Messrs. J. H. Lord & Co. in 1926. For the last ten years he had been the sole principal of the firm. He was a prominent Freemason, and a lieutenant in the Home Guard, and was honorary auditor to several charitable institutions in Bacup.